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C O R R E C T E D C O P Y (TO TEXTS FOR EO, TAGS, SUBJ,
CAPTION, REF, AND NBRD PARA ONE)

E.O. 11652: N/A

TAGS: EINV, ENRG, OECD

SUBJECT: IEA AD HOC GROUP ON FINANCIAL AND INVESTMENT
ISSUES (FII), MARCH 6 MEETING

PASS TREAS FOR WIDMAN AND WITHERELL, AND EB/IFD/OMA
FOR RYAN

REFS: (A) OECD PARIS 3454

(B) OECD PARIS 5108

(C) STATE 38842

(D) IEA/GB (75) 7

(E) IEA/SPC(75)7 (1ST REVISION)

1. IEA AD HOC GROUP ON FINANCIAL AND INVESTMENT ISSUES
(FII), WITH ASSISTANT SECRETARY PARSKY AS CHAIRMAN, MET
ON MARCH 6 TO CONSIDER FURTHER THE ORGANIZATION OF ITS
WORK PROGRAM, ESPECIALLY WITH RESPECT TO THE THREE SUB-
JECTS MENTIONED IN PARA 3 OF THE CHAIRMAN'S REPORT IN
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REFTEL A. THE FII ALSO AGREED ON ITS ROLE IN THE DELE-

GATION OF RESPONSIBILITY FOR VARIOUS TOPICS FOR WHICH
(A) PRELIMINARY POSITION PAPERS WILL BE DRAFTED PRIOR
TO THE PREPARATORY MEETING BETWEEN PRODUCERS AND CON-
SUMERS, AND (B) FURTHER ANALYTICAL WORK WILL BE NEEDED
FOR FINAL POSITIONS FOR A CONSUMER/PRODUCER DIALOGUE.

2. THE FII REAFFIRMED THAT IT HAS RESPONSIBILITY FOR
ALL FINANCIAL AND INVESTMENT ISSUES IN THE IEA RELATED
TO THE DIALOGUE BOTH AS TO PRELIMINARY "COMMENT OR
POSITION" PAPERS FOR THE PREPARATORY MEETING, AND TO
MORE SUBSTANTIVE POSITION PAPERS FOR THE MAIN CONFERENCE.
AS EXPRESSED IN ITS MANDATE (REFDOC A), THE FII
EMPHASIZED THAT IT WILL REPORT DIRECTLY TO THE GOVERNING
BOARD (GB).

3. AT THE MEETING OF FII, A DOCUMENT FROM SPC WITH A
LIST OF POSSIBLE SUBJECTS TO BE CONSIDERED FOR "COMMENT
OR POSITION" PAPERS WAS CIRCULATED. AFTER THE GROUP
DISCUSSED THESE TOPICS AND CONFERRED WITH THE CHAIRMAN
OF THE SPC, AN ALLOCATION OF RESPONSIBILITIES FOR PRE-
PARATION OF THESE "COMMENT OR POSITION" PAPERS WAS
AGREED UPON. THIS ALLOCATION IS REFLECTED IN REFDOC
(E), THE RELEVANT PARAGRAPHS OF WHICH (VIS-A-VIS FII)
ARE DISCUSSED BELOW. (THE NUMBERING OF THE TOPICS
CORRESPONDS TO THAT USED IN REFDOC (E).)

4. THE OECD SECRETARIAT, ECONOMICS AND STATISTICS
DEPARTMENT (ESD) WAS ASSIGNED RESPONSIBILITY FOR PRE-
PARATION OF PRELIMINARY POSITION PAPERS FOR: (I)
ANALYSIS OF WORLD ECONOMIC SITUATION; (II)(A) RECYCLING,
INCLUDING BOTH INTERNATIONAL GOVERNMENT INSTITUTIONS
AND COMMERCIAL CHANNELS; BALANCE-OF-PAYMENTS ADJUST-
MENTS; (II)(B) EFFECT ON CONSUMER COUNTRIES OF OIL PRO-
DUCERS' CLAIMS ON CONSUMERS' FUTURE REAL RESOURCES;
(II)(E) PRODUCERS' CLAIM FOR SAFE
INVESTMENT OF THEIR FUNDS, E.G. THROUGH INDEXATION OF
CAPITAL ASSETS; (II)(F) IS INFLATION THE RESPONSIBILITY
OF THE INDUSTRIALIZED COUNTRIES? ITEM (II)(A) WILL BE
PREPARED IN CONJUNCTION WITH A CONTRIBUTION BY DENMARK.

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5. ITEM (II)(C) INWARD INVESTMENT IN INDUSTRIALIZED
COUNTRIES (RECONCILING THE PRODUCERS' NEED FOR PRODUCTIVE
OUTLETS FOR THEIR REVENUES WITH THE CONSUMERS' WISH
TO RETAIN CONTROL OF ESSENTIAL SECTORS OF THEIR
ECONOMIES) WILL BE THE RESPONSIBILITY OF THE OECD
INVESTMENT COMMITTEE, ESD, AND THE FINANCIAL AND FISCAL
AFFAIRS DEPARTMENT. A CONTRIBUTION FROM DENMARK MAY
ALSO BE EXPECTED. THE U.S. DEL TO THE FII INDICATED

THAT THIS ISSUE COULD BE DIVIDED INTO TWO BASIC AREAS:
(A) REGULATIONS AND GENERAL POLICIES (NOW BEING HANDLED
IN THE INVESTMENT COMMITTEE), AND (B) SO-CALLED POSITIVE
APPROACHES, SUCH AS POSSIBLE COOPERATIVE INVESTMENT FUND
MECHANISMS.

6. ITEM II(D): OIL PRODUCERS' CLAIM TO GREATER VOICE IN
THE INTERNATIONAL MONETARY SYSTEM WAS ASSIGNED TO THE
U.S., WITH EUROPEAN COMMISSION ALSO WRITING A PAPER.
(SECRETARIAT DECLINED ASSIGNMENT ARGUING MATTER TOO
DELICATE; U.S. MADE PRE-EMPTIVE OFFER TO PREPARE PAPER.)

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7. ITEM III(A): ASSISTANCE OF THE INDUSTRIALISED
COUNTRIES IN THE ECONOMIC, SOCIAL, INDUSTRIAL AND AGRI-
CULTURAL DEVELOPMENT OF THE OIL PRODUCER COUNTRIES
THROUGH: (I) PLANNING, STAFF RECRUITMENT, TRAINING,
ORGANIZATIONAL ADVICE, ETC., (II) COMMERCIAL CHANNELS
(COOPERATION IN SPECIFIC PROJECTS, MANAGERIAL AND TECH-
NICAL ASSISTANCE; (III) JOINT VENTURES, COMMERCIAL AND

GOVERNMENTAL, WAS ASSIGNED TO THE EUROPEAN COMMISSION,
WITH CONTRIBUTIONS FROM UK AND FRG.

8. ITEM III(B): DEVELOPING COUNTRIES; MECHANISMS TO
COMBINE THE CAPITAL OF THE OIL PRODUCERS AND THE TECH-
NOLOGY OF THE INDUSTRIALIZED COUNTRIES IN PROVIDING AID
(TECHNICAL AND CAPITAL) TO: THE DEVELOPING, THE LEAST
DEVELOPED AND THE MOST SEVERELY Affected NATIONS THROUGH:
(I) MULTILATERAL CHANNELS (UN, COUNTRY CONSORTIA, ETC.);
(II) BILATERAL COOPERATION; (III) ANY NEW MECHANISMS
REQUIRED (INVESTMENT GUARANTEES FOR MSAS); (IV) (DEFEN-
SIVE) CAPITAL CONTRIBUTIONS FROM INDUSTRIALIZED COUN-
TRIES, WAS ASSIGNED TO GERMANY, WITH TURKEY AND THE UK
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PROVIDING CONTRIBUTIONS.

9. WITH RESPECT TO THE TOPICS IN PARAS 7 AND 8, AS WELL
AS THE REGULATORY ASPECT OF ITEM II(C), OUTLINES (AS
REPORTED IN REFTEL B) WERE DISTRIBUTED TO FII AT ITS
MEETING.

10. AFTER AGREEMENT WITH THE SPC CHAIRMAN, ITEM (IV)
TRADE BETWEEN PRODUCERS AND CONSUMERS: CREDIT TERMS,
TRADE REGULATIONS, COMMERCIAL AGREEMENTS GIVEN TO FII AS
A RESPONSIBILITY, WITH THE INITIAL PAPER TO BE PREPARED
BY THE EUROPEAN COMMISSION. ALSO ITEM (V)(F) OIL PRO-
DUCERS' PARTICIPATION IN DOWNSTREAM ACTIVITIES (CROSS-
REFERENCED TO ITEM (II)(C) WAS ASSIGNED TO FII, WITH
INITIAL PAPER TO BE PREPARED BY THE UK.

11. WITH RESPECT TO ITEM (V)(C)(IV) INDEXATION OF OIL
PRICES (CROSS-REFERENCED TO ITEM II, ABOVE), THE FII
FELT THAT IT SHOULD HAVE THE OPPORTUNITY TO REVIEW THE
WORK, ON WHICH PRIMARY RESPONSIBILITY RESTS WITH SLT
AND SOM.

12. IN VIEW OF NEXT GB MEETING SET FOR MARCH 20, THESE
PRELIMINARY "COMMENT OR POSITION" PAPERS (WITH EXCEPTION
OF II(A)) ARE TO BE IN THE HANDS OF SECRETARIAT NO LATER
THAN MARCH 14. THE PAPERS FOR ITEMS II(D), II(E),
II(F), V(C)(IV), V(F) ARE TO BE DEFENSIVE IN CHARACTER,
I.E. TO BE USED ONLY IF ISSUE RAISED BY PRODUCERS. IT
WAS EMPHASIZED THAT ALL OF THE PAPERS SHOULD PRESENT
ONLY THOSE ISSUES GERMAINE TO THE DIALOGUE. THE PAPERS
ARE TO BE BRIEF (1 - 3 PAGES IN LENGTH), AND
SHOULD CONTAIN THREE PORTIONS: (A) AN OUTLINE OF THE
ISSUES; (B) COMMENTS OR ATTEMPT TO DEFINE PRELIMINARY
POSITIONS RELEVANT TO THOSE ISSUES WITH RESPECT TO THE
DIALOGUE; (C) DISCUSSION OF WHAT ANALYTIC WORK (AND

WHERE HAS TO BE DONE SUBSEQUENT TO THE PREPCON.

13. THE GERMAN DEL LEFT FOR THE CONSIDERATION OF FII A
PROPOSAL FOR AN INTERNATIONAL DIRECT INVESTMENT TRUST.
A COPY OF THIS PROPOSAL IS BEING HAND-CARRIED BY WIDMAN
MARCH 8 FOR INTERESTED PARTIES.

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14. ACTION REQUESTED: MISSION WILL NEED U.S. PAPER ON
TOPIC II(D) BY DEADLINE OF MARCH 14. (FYI DISCUSSION
AGREED DEFINE THIS ISSUE BROADLY AS INCLUDING ALL RELE-
VANT INTERNATIONAL MONETARY FORUMS, I.E., NOT TO BE
CONFINED TO DUESTION OF IMF QUOTAS FOR OIL PRODUCERS.)
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